

### **26-51-307. Retirement or disability benefits.**

(a) (1) The first six thousand dollars (\$6,000) of benefits received by any resident of this state from an individual retirement account or the first six thousand dollars (\$6,000) of retirement benefits received by any resident of this state from public or private employment-related retirement systems, plans, or programs, regardless of the method of funding for these systems, plans, or programs, shall be exempt from the state income tax.

(2) (A) Only individual retirement account benefits received by an individual retirement account participant after reaching the age of fifty-nine and one-half (59½) years qualify for the exemption.

(B) The only other distributions or withdrawals from an individual retirement account that qualify for the exemption before the individual retirement account participant reaches the age of fifty-nine and one-half (59½) years are those made on account of the participant's death or disability.

(C) All other premature distributions or early withdrawals including, but not limited to, those taken for medical-related expenses, higher education expenses, or a first-time home purchase do not qualify for the exemption.

(b) (1) (A) Except as provided in subdivision (b)(2) of this section, the exemption provided for in subsection (a) of this section for benefits received from an individual retirement account or from a public or private employment-related retirement system, plan, or program shall be the only exemption from the state income tax allowed for benefits received from an individual retirement account or from any publicly or privately supported employment-related retirement system, plan, or program, excepting only benefits received under systems, plans, or programs which are by federal law exempt from the state income tax.

(B) No taxpayer shall receive an exemption greater than six thousand dollars (\$6,000) during any tax year under the provisions of this section.

(2) The provisions of this section shall not apply to retirement or disability benefits received under a plan, system, or fund described in § [26-51-404\(b\)\(6\)](#).

(c) (1) Section 72 of the Internal Revenue Code of 1986, as in effect on January 1, 2007, shall provide the sole method by which a recipient of benefits from an individual retirement account or from public or private employment-related retirement systems, plans, or programs may deduct or recover his or her cost of contribution to the plan when computing his or her income for state income tax purposes.

(2) A taxpayer shall not be allowed to deduct or recover any portion of the taxpayer's cost of contribution to the plan that the taxpayer:

(A) Has once deducted or recovered; or

(B) Would have been allowed to deduct or recover under any provision of law or court decision.

(d) (1) An individual who is sixty-five (65) years of age or older and who does not claim an exemption under subsection (a) of this section shall be entitled to an additional state income tax credit of twenty dollars (\$20.00).

(2) This credit is in addition to all other credits allowed by law.

**History.** Acts 1985, No. 486, §§ 1, 2; A.S.A. 1947, §§ 84-2008.5, 84-2008.6; Acts 1987, No. 521, § 3; 1989, No. 512, § 1; 1989 (3rd Ex. Sess.), No. 27, § 1; 1999, No. 817, § 1; 2001, No. 773, §§ 1, 2; 2005, No. 189, § 3; 2007, No. 218, § 12.

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